



e-Alert

10.08.20

IRS Issues Guidance on Payroll Tax Deferment Presidential Order

Background

On August 8, 2020, President Donald Trump signed an [order](#) instructing the US Department of the Treasury (the Department) to defer from collecting certain payroll taxes from wages earned between September 1, 2020, and December 31, 2020. The IRS recently responded by issuing [Notice 2020-65](#) providing limited guidance on implementing the Order.

Summary

The Notice details that:

- Employers are released from their obligation to collect and pay payroll Social Security taxes for individuals who receive “applicable wages.” “Applicable wages” are defined as compensation that is less than \$4,000 for a biweekly pay period, or “the equivalent threshold amount with respect to other pay periods.”
- Employers must determine if there are applicable wages every pay period between September 1, 2020, and December 31, 2020.
- Employers will need to collect any taxes that were deferred between September 1,

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2020, and December 31, 2020, and remit those taxes to the IRS between January 1, 2021, and April 30, 2021, unless the Department can find a way to eliminate the obligation to pay the deferred taxes.

- Interest, penalties, and tax additions will begin to accrue on May 1, 2021, for any deferred taxes that have not been paid.
- Employers will need to pay the deferred taxes in addition to collecting and remitting the taxes that are regularly due during the January 1, 2021, to April 30, 2021, pay period, and make arrangements with affected employees to collect the deferred taxes in 2021.

Employer Next Steps

- You should decide if you wish to opt into the tax deferral, and subsequently educate your employees on the program as well as inform them of their tax obligations for 2021 if they choose to defer their taxes.

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